

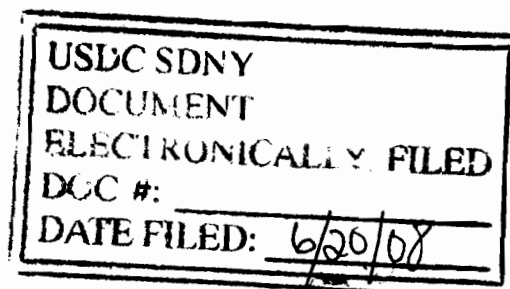
June 19, 2008



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**VIA FACSIMILE**

Magistrate Judge Theodore H. Katz  
United States District Judge  
United States District Courthouse  
500 Pearl Street  
New York, New York 10007



Re: Alpha Capital Anstalt v. Silver Dragon Resources, Inc.; 07 CV 11430 (CM)

Dear Magistrate Judge Katz:

We represent defendant Silver Dragon Resources, Inc. ("Silver Dragon") in the above-referenced matter. We write to set forth Silver Dragon's objections to responding to the Interrogatories served by plaintiff Alpha Capital Anstalt ("Alpha Capital"), dated June 13, 2008, on an expedited basis.

Alpha Capital wrote to this Court on June 13, 2008 requesting that Silver Dragon be ordered to respond to the Interrogatories within two business days -- an extremely shortened timeframe - because of alleged irreparable harm facing Alpha Capital. According to plaintiff, "it is highly likely that SDRG has offered, issued or agreed to issue its securities at a price lower than \$0.60 per share, which would entitle [sic] Alpha Capital immediately to additional shares of stock." See June 13, 2008 Letter from Kenneth Zitter to Magistrate Judge Theodore H. Katz (Docket No. 22). Alpha Capital's claim of irreparable harm, however, is not warranted and the time in which Silver Dragon must respond to the Interrogatories should not be shortened solely on that basis.

The agreement between Silver Dragon and Alpha Capital contains a "Favored Nations Provision," which provides for the issuance of additional shares of common stock in certain circumstances. The "Favored Nations Provision" states, however, that various "Excepted Issuances" fall outside the scope of this ratchet right. Clearly listed as "Excepted Issuances" in the agreement are "any additional issuances of restricted common stock." It is respectfully submitted that each issuance of securities by Silver Dragon since January 1, 2008 has been of restricted common stock. Therefore, pursuant to the terms of the agreement between the parties, Alpha Capital has not been harmed and indeed is not facing irreparable harm that would warrant an expedited response to the Interrogatories.

If the Court maintains that Silver Dragon must nonetheless respond to the Interrogatories by June 21, 2008, Silver Dragon respectfully requests that Alpha Capital be ordered to respond to the attached Document Request within three business days. This Document Request seeks the trading records for Alpha Capital and LH Financial Services Corp.



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("LH Financial")<sup>1</sup> since October 1, 2007. Alpha Capital has indicated in its June 13<sup>th</sup> letter that it "intends to move immediately for additional preliminary injunctive relief." Silver Dragon, however, will be prejudiced if it must oppose such a motion without an opportunity to first review these trading records to determine 1) if Alpha Capital's positions, especially any positions in Silver Dragon, are proper; 2) whether Alpha Capital is facing irreparable harm; and 3) whether Alpha Capital will suffer any damage. These records are readily available and there is no hardship in compelling Alpha Capital to provide them immediately.

Respectfully submitted,

Brooke E. Pietrzak

cc: Kenneth A. Zitter, Esq. (via facsimile)

*Respond to the interrogatories by  
June 25, 2008. Plaintiff shall respond to  
Defendants' document request by June 27, 2008.*

**SO ORDERED**

*6/20/08*

*Theodore H. Katz*  
THEODORE H. KATZ

UNITED STATES MAGISTRATE JUDGE

<sup>1</sup> Alpha Capital is a fund owned by LH Financial.